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Town of Tullos
Tullos, Louisiana -

Annual Financial Statements
As of June 30, 2004 and for the Two Years Then Ended

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Release Date 1-26-05

EDWARDS & WADE, CPAs

A PROFESSIONAL CORPORATION

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Town of Tullos
 Annual Financial Statements
 As of and for the Two Years Ended June 30, 2004
 With Supplemental Information Schedules

CONTENTS

	Statement	Page
Required Supplemental Information (Part I)		
Management's Discussion and Analysis	---	1
Independent Auditor's Report		7
<u>Basic Financial Statements</u>		
Government-Wide Financial Statements:		
Statement of Net Assets	A	8
Statement of Activities		
For the Year Ended June 30, 2004	B	9
For the Year Ended June 30, 2003	C	10
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	D	11
Reconciliation of the Government Funds Balance Sheet to The Government-Wide Financial Statement of Net Assets	E	12
Statement of Revenues, Expenditures, and Changes in Fund Balances		
For the Year Ended June 30, 2004	F	13
For the Year Ended June 30, 2003	G	14

Table of Contents (Contd.)
 Town of Tullos, Louisiana

	Statement	Page
Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances of Governmental Funds to the Statement of Activities		
For the Year Ended June 30, 2004	H	15
For the Year Ended June 30, 2003	I	16
<hr/>		
Proprietary Funds:		
Statement of Net Assets	J	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets		
For the Year Ended June 30, 2004	K	18
For the Year Ended June 30, 2003	L	19
Statement of Cash Flows		
For the Year Ended June 30, 2004	M	20
For the Year Ended June 30, 2003	N	21
	Schedule	Page
Notes to the Financial Statements		22
Required Supplemental Information (Part II)		
Budget Comparison Schedules		
Notes to Budget Comparison Schedules		
For the Year Ended June 30, 2004 - General fund	1	34
For the Year Ended June 30, 2004 - Debt Service fund	2	35
For the Year Ended June 30, 2003 - General fund	3	36
For the Year Ended June 30, 2003 - Debt Service fund	4	37

Table of Contents (Contd.)
Town of Tullos, Louisiana

	Schedule	Page
<u>Other Supplemental Schedules</u>		
Schedule of Compensation Paid Elected Officials	5	39
Schedule of Expenditures of Federal Awards	6	40
<u>Other Reports</u>		
<hr/>		
Independent Auditor's Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of the Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		42
Current Year Findings, Recommendations, and Corrective Action Plan	7	44
Status of Prior Audit Findings	8	46

Town of Tullos, Louisiana
Management Discussion and Analysis
June 30, 2004

The management of the Town of Tullos, Louisiana offers readers of the Town of Tullos, Louisiana's (Town) financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2004. This management discussion and analysis ("MD&A") is designed to provide an objective analysis of the Town's financial activities based on currently known facts, decisions, and conditions. It is intended to provide readers with a broad overview of Town finances. It is also intended to provide readers with an analysis of the Town's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the Town. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town's financial activity, identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

This is the first year the Town has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34. This reporting model changes the presentation of financial data, and also the manner in which the information is recorded. We encourage readers to consider the information presented here in conjunction with additional information presented throughout this report.

Overview of the Financial Statements

This section is intended to serve as an introduction to the Town's financial statements. The Town's basic financial statements consist of the government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information, which is in addition to the basic financial statements.

Government-Wide Financial Statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which governmental financial statements are presented. It now provides readers with a concise "entity-wide" Statement of Net Assets and Statement of Activities, which seek to give the user of the financial statements a broad overview of the Town's financial position and results of operations in a manner similar to private sector businesses.

The statement of net assets presents information on all of the Town's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The difference between the two is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or weakening.

Town of Tullos, Louisiana
Management Discussion and Analysis
June 30, 2004

The statement of activities presents information which shows how the government's net assets changed during this fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected taxes).

Each of these reports is broken down between governmental activities and business-type activities. Governmental activities normally are those activities that are supported by taxes, licenses, permits, fines, and intergovernmental revenues; for example, the police and fire departments. Business-type activities are functions that are intended to support their costs through charges for services or fees; such as the Gas, Electric, Water, and Sewer Departments.

Government-wide Financial Analysis

As noted earlier, net assets may, over time, serve as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the Town's assets exceeded its liabilities by \$1,982,452 (net assets); this represents a decrease of \$23,032 from the last fiscal year. Of this total net asset amount, \$34,738 is unrestricted net assets. The Town's net assets are comprised of \$185,559 from governmental activities and \$1,796,893 from business-type activities.

The following is a condensed statement of the Town of Tullos's net assets as of June 30, 2004:

	<u>Governmental-Type Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<i>Assets</i>			
Current & Other Assets	53,961	57,926	111,887
Capital Assets (net)	171,566	1,800,854	1,972,420
Total Assets	<u>225,527</u>	<u>1,858,780</u>	<u>2,084,307</u>
<i>Liabilities</i>			
Other Liabilities	10,968	57,059	68,027
Long-term Liabilities	29,000	4,828	33,828
Total Liabilities	<u>39,968</u>	<u>61,887</u>	<u>101,855</u>
<i>Net Assets</i>			
Invested in capital assets, net	142,566	1,796,026	1,938,592
Restricted	8,255	867	9,122
Unrestricted	34,738	0	34,738
Total Net Assets	<u>185,559</u>	<u>1,796,893</u>	<u>1,982,452</u>

Town of Tullos, Louisiana
Management Discussion and Analysis
June 30, 2004

By far the largest portion of the Town's net assets \$1,938,592 reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, Town infrastructure, etc.) less any related debt used to acquire those assets still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of \$34,738 is unrestricted net assets, which may be used to meet the government's on-going obligations to citizens and creditors.

The Town has total outstanding debt of \$44,805, which was used to finance some of the \$1,972,420 capital assets. Total liabilities of \$101,855 are equal to 5% of the total net assets.

The following is a summary of the statement of activities:

	Governmental-Type Activities	Business-Type Activities	Total
Revenue			
Program Revenue	25,196	142,330	167,526
General Revenue & Transfers	88,324	2,634	90,958
Total Revenue	<u>113,520</u>	<u>144,964</u>	<u>258,484</u>
Expenses			
General & Administrative	47,952		47,952
Public Safety	38,812		38,812
Debt Service	16,214		16,214
Water Utilities		149,730	149,730
Sewer Utilities		70,754	70,754
Total Expenses	<u>102,978</u>	<u>220,484</u>	<u>323,462</u>
Increase (Decrease) in Net Assets	10,542	(75,520)	(64,978)
Net Assets, June 30, 2003	<u>204,017</u>	<u>1,872,413</u>	<u>2,076,430</u>
Net Assets, June 30, 2004	<u>214,559</u>	<u>1,796,893</u>	<u>2,011,452</u>

Because of the change in accounting principles described in Note 1 of Notes to the Financial Statements, a comparison of various items included in the Statement of Activities with the previous year amounts is not presented. In future years, these amounts will be available and comparisons presented.

Town of Tullos, Louisiana
Management Discussion and Analysis
June 30, 2004

Governmental Activities

The governmental activities of the Town include General Government, Public Safety, and Debt Service. In that revenues normally associated with municipal operations, (e.g. property tax, franchise fees, license fees, sanitation fees, license, fines, and operating grants) are sufficient for the funding of these activities.

Business-type Activities

The business-type activities of the Town are those that charge a fee to customers for the services provided. The Town has two business-type activities, which are accounted for in enterprise funds. The Town uses enterprise funds to account for the revenues and expenses related to the provision of water and sewer services.

The following is a summary of the business-type activities of the Town:

	Operating Revenues Net of Purchases		
	Water	Sewer	Total
Fiscal year ended June 30, 2003	112,389	25,601	137,990
Fiscal year ended June 30, 2004	113,635	26,184	139,819
Increase (decrease) between years	<u>1,246</u>	<u>583</u>	<u>1,829</u>
	Operating Expenses		
	Water	Sewer	Total
Fiscal year ended June 30, 2003	162,463	51,613	214,076
Fiscal year ended June 30, 2004	144,518	70,754	215,272
Increase (decrease) between years	<u>(17,945)</u>	<u>19,141</u>	<u>1,196</u>
	Net Income (Loss) From Operations		
	Water	Sewer	Total
Fiscal year ended June 30, 2003	(50,074)	(26,012)	(76,086)
Fiscal year ended June 30, 2004	(30,883)	(44,570)	(75,453)
Increase (decrease) between years	<u>19,191</u>	<u>(18,558)</u>	<u>633</u>

The reasons for major fluctuations noted above are as follows:

Increase in water and sewer Net Operating Revenues was the result of increase in water rates. The increase in Operating Expenses was the result of increase in engineering fees for the fiscal year 2004.

Town of Tullos, Louisiana
Management Discussion and Analysis
June 30, 2004

Fund Financial Statements - Governmental Funds

The fund financial statements provide more detailed information about the Town's most significant funds - not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for a particular purpose.

The Town currently maintains three individual governmental fund types. These fund types include the General Fund, Capital Projects Fund, and Debt Service Fund. Information is presented separately in the Governmental Funds Balance Sheet (Statement D) and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances (Statements F & G) for the General Fund, Capital Projects Fund, and Debt Service Fund which are all considered to be major funds.

The Town adopts an annual budget for the General Fund and Debt Service Fund. A statement of revenues, expenditures, and changes in fund balance for the General Fund and Debt Service Fund is presented in the Required Supplemental Information (Part II), which compares actual revenues and expenditures to the original budget and amended budget figures.

Financial Analysis of the Town's Governmental Fund

The Town of Tullos's governmental fund (General Fund) reported an ending fund balance of \$34,738, which is a decrease of \$2,294. This decrease is caused by excess transfers to the Town's Utility Fund. The entire ending fund balance of \$34,738 is unreserved.

Fund Financial Statements - Proprietary Funds

The Town maintains two proprietary funds. Proprietary funds are used to report the same functions as business-type activities. The Town uses enterprise funds (the first type of proprietary fund) to account for its Water and Sewer Operations. These enterprise funds report the same functions presented as business-type activities in the government-wide financial statements.

Financial Analysis of the Town's Proprietary Fund

The Town's proprietary funds show a decrease in ending fund balance of \$75,520. The 2004 operating losses of the Water and Sewer Departments totaling \$75,520 represents an increase in loss of \$557 from fiscal year 2003.

In that financial statements of enterprise funds are presented on the same basis of accounting as in both the governmental-wide financial statements and the individual fund statements all comments and analysis made under business-type activities apply to these funds.

Town of Tullos, Louisiana
Management Discussion and Analysis
June 30, 2004

General Fund Budgetary Highlights

The Town did not amend their original General Fund or Debt Service Fund budgets during the course of the year.

The actual excess of revenue for the current fiscal year was sufficient to meet all expenditures except transfers and shows a \$2,294 decrease in fund balance. The final budget and the actual results difference show a negative position of \$16,116. The majority of this variance was the result of revenues and transfers being higher than anticipated.

Capital Asset and Debt Administration

The total investment in net capital assets as of June 30, 2004 is \$1,938,592.

New major capital assets purchased or constructed in fiscal 2004 are:
Governmental activities:

1. Portable radio for the Police Department, \$1,101.
2. Camera for the Fire Department, \$8,608.
3. IFSTA videos and books for the Fire Department, \$2,496.

Current Financial Factors

The expense for this fiscal year is expected to remain the same with exception of a LCDBG grant funded by the federal government, and any other emergency needs.

Construction on the grant should begin during the second quarter of this coming year.

Because of low income and having trouble with past due accounts, the town will be enforcing higher utility and sewer rates effective January 18, 2005. The town hopes to pay off all outstanding accounts and put money in a reserve account for an emergency.

Requests for Information

This financial report is designed to provide a general overview of the Town of Tullos's finances for all with an interest in the government's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Tonya Buxton, Clerk, P. O. Box 749, Tullos, Louisiana 71479.

EDWARDS & WADE

Certified Public Accountants
A Professional Accounting Corporation
Members: AICPA / Society of LCPA's

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Tullos, as of and for the two years ended June 30, 2004, which collectively comprise the town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Tullos's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Tullos, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the two years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Town has implemented a new financial reporting model as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2004, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The required supplementary information as indicated in the table of contents on pages 1 through 6 and 34 through 37 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Tullos's basic financial statements. The accompanying supplementary information, as referenced in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Edwards & Wade

Ruston, Louisiana
December 9, 2004

Town of Tullos, Louisiana
Statement of Net Assets
June 30, 2004

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and equivalents	\$20,947	\$22,936	\$43,883
Receivables	14,774	19,185	33,959
Internal balances	18,240		18,240
Restricted assets		15,805	15,805
Capital assets (net)	171,566	1,800,854	1,972,420
TOTAL ASSETS	\$225,527	\$1,858,780	\$2,084,307
Liabilities			
Accounts, salaries, and other payables	\$10,968	\$23,014	\$33,982
Internal balances		18,240	18,240
Liabilities payable from restricted assets		15,805	15,805
Loan payable	29,000		29,000
Capital leases payable		4,828	4,828
TOTAL LIABILITIES	39,968	61,887	101,855
NET ASSETS			
Invested in capital assets, net of related debt	142,566	1,796,026	1,938,592
Restricted for:			
Debt service	8,255	867	9,122
Unrestricted	34,738		34,738
TOTAL NET ASSETS	\$185,559	\$1,796,893	\$1,982,452

The accompanying notes are an integral part of this statement.

Town of Tullos, Louisiana
 Statement of Activities
 Year Ended June 30, 2004

	Program Revenues		Net (Expenses) Revenues and Changes of Primary Government	
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
Governmental Activities:				
General government	\$47,952		(\$47,952)	(\$47,952)
Public safety	38,812	\$2,082	(13,616)	(13,616)
Debt Service	16,214		(16,214)	(16,214)
Total governmental activities	102,978	2,082	(77,782)	(77,782)
Business-type activities				
Water utilities	149,730			
Sewer utilities	70,754			
Total business-type activities	220,484	0	0	(78,154)
Total primary government	\$323,462	\$2,082	(\$77,782)	(\$78,154)
				(\$155,936)
General revenues:				
Property taxes			\$10,882	\$10,882
Beer taxes			1,651	1,651
Franchise taxes			9,244	9,244
Occupational licenses			16,249	16,249
Fines and forfeitures			40,043	40,043
Investment earnings			45	309
Other general revenues			12,580	12,580
Transfers			(2,370)	2,370
Total general revenues and transfers			88,324	2,634
Change in Net Assets			10,542	(75,520)
Net assets - beginning			175,017	1,872,413
Net assets - ending			\$185,559	\$1,796,893
				\$1,982,452

The accompanying notes are an integral part of this statement.

Town of Tullos, Louisiana
 Statement of Activities
 Year Ended June 30, 2003

	Program Revenues		Net (Expenses) Revenues and Changes of Primary Government			
	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
General government	\$55,186			(\$55,186)		(\$55,186)
Public safety	31,084	\$4,652	\$41,310	35,087		35,087
Debt Service	15,884			(15,884)		(15,884)
Total governmental activities	<u>102,154</u>	<u>4,652</u>	<u>41,310</u>	<u>(35,983)</u>	<u>0</u>	<u>(35,983)</u>
Business-type activities						
Water utilities	163,720				(\$51,331)	(51,331)
Sewer utilities	51,613		133,495		107,483	107,483
Total business-type activities	<u>215,333</u>	<u>0</u>	<u>133,495</u>	<u>0</u>	<u>56,152</u>	<u>56,152</u>
Total primary government	<u>\$317,487</u>	<u>\$4,652</u>	<u>\$174,805</u>	<u>(\$35,983)</u>	<u>\$56,152</u>	<u>\$20,169</u>
General revenues:						
Property taxes				\$10,472		10,472
Beer taxes				2,831		2,831
Franchise taxes				9,056		9,056
Occupational licenses				17,614		17,614
Fines and forfeitures				29,524		29,524
Investment earnings				86	\$591	677
Other general revenues				4,522		4,522
CDBG grant for sewer improvement purposes				133,495		133,495
Transfers				(1,280)	1,280	0
Total general revenues and transfers				<u>206,320</u>	<u>1,871</u>	<u>208,191</u>
Change in Net Assets				170,337	58,023	228,360
Net assets - beginning				4,680	1,814,390	1,819,070
Net assets - ending				<u>\$175,017</u>	<u>\$1,872,413</u>	<u>\$2,047,430</u>

The accompanying notes are an integral part of this statement.

Town of Tullos, Louisiana
 Balance Sheet, Governmental Funds
 June 30, 2004

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and equivalents	\$12,692	\$8,255	\$20,947
Receivable	14,774		14,774
Due from other funds	18,240		18,240
TOTAL ASSETS	<u>\$45,706</u>	<u>\$8,255</u>	<u>\$53,961</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts, salaries, and other payables	\$10,968		\$10,968
Total liabilities	<u>10,968</u>	<u>0</u>	<u>10,968</u>
Fund balances:			
Reserved for:			
Debt services		\$8,255	8,255
Unreserved, reported in:			
General fund	34,738		34,738
TOTAL LIABILITIES AND FUND BALANCES	<u>\$45,706</u>	<u>\$8,255</u>	<u>\$53,961</u>

The accompanying notes are an integral part of this statement.

Town of Tullos, Louisiana
Reconciliation of The Governmental Funds Balance Sheet
to The Government-Wide Financial Statement of Net Assets
June 30, 2004

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund balances, Total governmental funds (Statement D) \$42,993

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Governmental capital assets	\$388,416	
Less accumulated depreciation	<u>(216,850)</u>	171,566

Long-term liabilities including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Loan payable		<u>(29,000)</u>
--------------	--	-----------------

Net Assets of Governmental Activities (Statement A)

\$185,559

The accompanying notes are an integral part of this statement.

Town of Tullios, Louisiana
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2004

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Taxes:			
Ad valorem	\$10,882		\$10,882
Beer	1,651		1,651
Licenses and permits	16,249		16,249
Franchise fees	9,244		9,244
Intergovernmental revenues:			
State funds:			
Grant	2,082		2,082
Fire assessment	23,114		23,114
Fines and forfeitures	40,043		40,043
Other revenues	12,580	45	12,625
Total Revenues	<u>115,845</u>	<u>45</u>	<u>115,890</u>
EXPENDITURES			
General government	47,952		47,952
Public safety	38,812		38,812
Debt service		16,214	16,214
Capital outlay	12,205		12,205
Total Expenditures	<u>98,969</u>	<u>16,214</u>	<u>115,183</u>
Excess (Deficiency) of Revenues over (under) Expenditures	16,876	(16,169)	707
OTHER FINANCING SOURCES (USES)			
Transfers in		16,800	16,800
Transfers out	(19,170)		(19,170)
Total Other Financing Sources (Uses)	<u>(19,170)</u>	<u>16,800</u>	<u>(2,370)</u>
Net Change in Fund Balance	(2,294)	631	(1,663)
Fund Balance - beginning	37,032	7,624	44,656
Fund Balance - ending	<u>\$34,738</u>	<u>\$8,255</u>	<u>\$42,993</u>

The accompanying notes are an integral part of this statement.

Town of Tullos, Louisiana
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2003

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Taxes:				
Ad valorem	\$10,472			\$10,472
Beer	2,831			2,831
Licenses and permits	17,614			17,614
Franchise fees	9,056			9,056
Intergovernmental revenues:				
Federal grants	41,310			41,310
State funds:				
Grants	4,652	133,495		138,147
Fire assessment	20,209			20,209
Fines and forfeitures	29,524			29,524
Other revenues	4,522		86	4,608
Total Revenues	<u>140,190</u>	<u>133,495</u>	<u>86</u>	<u>273,771</u>
EXPENDITURES				
General government	55,186			55,186
Public safety	31,084			31,084
Debt service			15,884	15,884
Capital outlay	35,923	133,495		169,418
Total Expenditures	<u>122,193</u>	<u>133,495</u>	<u>15,884</u>	<u>271,572</u>
Excess (Deficiency) of Revenues over (under) Expenditures	17,997	0	(15,798)	2,199
OTHER FINANCING SOURCES (USES)				
Transfers in			16,800	16,800
Transfers out	(18,080)			(18,080)
Total Other Financing Sources (Uses)	<u>(18,080)</u>	<u>0</u>	<u>16,800</u>	<u>(1,280)</u>
Net Change in Fund Balance	(83)	0	1,002	919
Fund Balance - beginning	37,115	0	6,622	43,737
Fund Balance - ending	<u>\$37,032</u>	<u>\$0</u>	<u>\$7,624</u>	<u>\$44,656</u>

The accompanying notes are an integral part of this statement.

Town of Tullos, Louisiana
 Reconciliation of The Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2004

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances, Total governmental funds (Statement F)	(\$1,663)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	<u>12,205</u>
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Change in Net Assets of Governmental Activities, Statement B	<u>\$10,542</u>
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The accompanying notes are an integral part of this statement.

Town of Tullos, Louisiana
 Reconciliation of The Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2003

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances, Total governmental funds (Statement G)	\$919
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	<u>169,418</u>
Change in Net Assets of Governmental Activities, Statement C	<u>\$170,337</u>

The accompanying notes are an integral part of this statement.

Town of Tullos, Louisiana
Statement of Net Assets, Proprietary Funds
June 30, 2004

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and equivalents	\$21,995	\$941	\$22,936
Receivables	16,020	3,165	19,185
Due from other funds	1,000		1,000
Restricted assets	15,805		15,805
Total current assets	<u>54,820</u>	<u>4,106</u>	<u>58,926</u>
Non-current assets:			
Capital assets (net of accumulated depreciation)	927,639	873,215	1,800,854
Total Non-current assets	<u>927,639</u>	<u>873,215</u>	<u>1,800,854</u>
TOTAL ASSETS	<u>\$982,459</u>	<u>\$877,321</u>	<u>\$1,859,780</u>
LIABILITIES			
Current Liabilities:			
Accounts, salaries, and other payables	\$7,062	\$15,952	\$23,014
Due to other funds	18,118	1,122	19,240
Lease and interest payable	4,828		4,828
Total current liabilities	<u>30,008</u>	<u>17,074</u>	<u>47,082</u>
Current liabilities payable from restricted assets	<u>15,805</u>		<u>15,805</u>
NET ASSETS			
Invested in capital assets, net of related debt	922,811	873,215	1,796,026
Unrestricted	<u>13,835</u>	<u>(12,968)</u>	<u>867</u>
TOTAL NET ASSETS	<u>\$936,646</u>	<u>\$860,247</u>	<u>\$1,796,893</u>

The accompanying notes are an integral part of this statement.

Town of Tullos, Louisiana
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total Enterprise Funds
Operating Revenues			
Charges for services:			
Water sales	\$100,588		\$100,588
Sewer charges		\$25,558	25,558
Other services	13,047	626	13,673
Total Operating Revenues	<u>113,635</u>	<u>26,184</u>	<u>139,819</u>
Operating Expenses			
Cost of sales and services	64,626	44,470	109,096
Administration	38,789	20	38,809
Depreciation	41,103	26,264	67,367
Total Operating Expenses	<u>144,518</u>	<u>70,754</u>	<u>215,272</u>
Operating income (loss)	(30,883)	(44,570)	(75,453)
Nonoperating revenue (expenses)			
Interest earnings	264		264
Interest expense	(901)		(901)
Penalties and interest	(4,311)		(4,311)
Total Nonoperating Revenue (Expenses)	<u>(4,948)</u>	<u>0</u>	<u>(4,948)</u>
Income before contributions and transfers	(35,831)	(44,570)	(80,401)
Capital contributions	2,511		2,511
Transfers in	0	2,904	2,904
Transfers out	(534)		(534)
Change in Net Assets	(33,854)	(41,666)	(75,520)
Total Net Assets - Beginning	<u>970,500</u>	<u>901,913</u>	<u>1,872,413</u>
Total Net Assets - Ending	<u>\$936,646</u>	<u>\$860,247</u>	<u>\$1,860,571</u>

The accompanying notes are an integral part of this statement.

Town of Tullos, Louisiana
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2003

	Business-Type Activities - Enterprise Funds			2002
	Water Fund	Sewer Fund	Total Enterprise Funds	
Operating Revenues				
Charges for services:				
Water sales	\$102,866		\$102,866	\$103,778
Sewer charges		25,361	25,361	25,776
Other services	9,523	240	9,763	9,447
Total Operating Revenues	<u>112,389</u>	<u>25,601</u>	<u>137,990</u>	<u>139,001</u>
Operating Expenses				
Cost of sales and services	64,542	28,686	93,228	86,676
Administration	56,818	0	56,818	59,303
Depreciation	41,103	22,927	64,030	47,951
Total Operating Expenses	<u>162,463</u>	<u>51,613</u>	<u>214,076</u>	<u>193,930</u>
Operating income (loss)	(50,074)	(26,012)	(76,086)	(54,929)
Nonoperating revenue (expenses)				
Interest earnings	591		591	1,394
Interest expense	(1,257)		(1,257)	(1,385)
Total Nonoperating Revenue (Expenses)	<u>(666)</u>	<u>0</u>	<u>(666)</u>	<u>9</u>
Income before contributions and transfers	(50,740)	(26,012)	(76,752)	(54,920)
Capital contributions		133,495	133,495	
Transfers in	1,280	800	2,080	
Transfers out	(800)		(800)	(20,043)
Change in Net Assets	(50,260)	108,283	58,023	(74,963)
Total Net Assets - Beginning	<u>1,020,760</u>	<u>793,630</u>	<u>1,814,390</u>	<u>1,889,353</u>
Total Net Assets - Ending	<u>\$970,500</u>	<u>\$901,913</u>	<u>\$1,872,413</u>	<u>\$1,814,390</u>

The accompanying notes are an integral part of this statement.

Town of Tullos, Louisiana
Statement of Cash Flows, Proprietary Funds
For the Year Ended June 30, 2004

	Water Fund	Sewer Fund	Total Enterprise Funds
Cash Flows from Operating Activities			
Receipts from customers and users	\$116,008	\$26,615	\$142,623
Receipts from other funds			0
Payments to suppliers	(83,857)	(29,888)	(113,745)
Payments to employees	(22,637)		(22,637)
Payments to other funds	(4,190)		(4,190)
Net Cash Provided by Operating Activities	<u>5,324</u>	<u>(3,273)</u>	<u>2,051</u>
Cash Flows from Noncapital Financing Activities			
Penalties and interest paid	(4,311)		(4,311)
Transfer to other funds	(534)		(534)
Advances from other funds		2,904	2,904
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(4,845)</u>	<u>2,904</u>	<u>(1,941)</u>
Cash Flows from Capital and Related Financing Activities			
Capital contributions	2,511		2,511
Principal paid on capital debt	(3,749)		(3,749)
Interest paid on capital debt	(901)		(901)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,139)</u>	<u>0</u>	<u>(2,139)</u>
Cash Flows from Investing Activities			
Interest and dividends received	264		264
Net Cash Provided by Investing Activities	<u>264</u>	<u>0</u>	<u>264</u>
Net Increase in Cash and equivalents	(1,396)	(369)	(1,765)
Cash and equivalents, Beginning of Year	39,196	1,310	40,506
Cash and equivalents, End of Year	<u>\$37,800</u>	<u>\$941</u>	<u>\$38,741</u>
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities			
Operating income	(\$30,883)	(\$44,570)	(\$75,453)
Depreciation expense	41,103	26,264	67,367
(Increase) decrease in accounts receivable	1,917	431	2,348
Increase (decrease) in customer deposits	456		456
Increase (decrease) in accounts payable	(3,079)	14,602	11,523
Increase (decrease) in due to other funds	(4,190)		(4,190)
Net Cash Provided by Operating Activities	<u>\$5,324</u>	<u>(\$3,273)</u>	<u>\$2,051</u>
Reconciliation of total cash and cash investments:			
Current assets - cash and cash investments	\$21,995	\$941	\$22,936
Restricted assets - cash and cash investments	15,805		15,805
Total cash and cash investments	<u>\$37,800</u>	<u>\$941</u>	<u>\$38,741</u>

The accompanying notes are an integral part of this statement.

Town of Tullos, Louisiana
Statement of Cash Flows, Proprietary Funds
For the Year Ended June 30, 2003

	Water Fund	Sewer Fund	Total Enterprise Funds	2002
Cash Flows from Operating Activities				
Receipts from customers and users	\$110,539	\$25,424	\$135,963	\$143,232
Receipts from other funds			0	
Payments to suppliers	(70,358)	(28,568)	(98,926)	(103,821)
Payments to employees	(43,659)		(43,659)	(46,870)
Payments to other funds	(2,067)		(2,067)	
Net Cash Provided by Operating Activities	<u>(5,545)</u>	<u>(3,144)</u>	<u>(8,689)</u>	<u>(7,459)</u>
Cash Flows from Noncapital Financing Activities				
Transfer to other funds	(800)		(800)	(20,043)
Advances from other funds	1,280	800	2,080	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>480</u>	<u>800</u>	<u>1,280</u>	<u>(20,043)</u>
Cash Flows from Capital and Related Financing Activities				
Capital contributions	133,495		133,495	643,208
Purchases of capital assets	(133,495)		(133,495)	(643,208)
Principal paid on capital debt	(3,394)		(3,394)	(3,265)
Interest paid on capital debt	(1,257)		(1,257)	(1,385)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,651)</u>	<u>0</u>	<u>(4,651)</u>	<u>(4,650)</u>
Cash Flows from Investing Activities				
Interest and dividends received	591		591	1,394
Net Cash Provided by Investing Activities	<u>591</u>	<u>0</u>	<u>591</u>	<u>1,394</u>
Net Increase in Cash and equivalents	<u>(9,125)</u>	<u>(2,344)</u>	<u>(11,469)</u>	<u>(30,758)</u>
Cash and equivalents, Beginning of Year	48,322	3,654	51,976	82,734
Cash and equivalents, End of Year	<u>\$39,197</u>	<u>\$1,310</u>	<u>\$40,507</u>	<u>\$51,976</u>
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities				
Operating income	(\$50,074)	(\$26,012)	(\$76,086)	(\$54,929)
Depreciation expense	41,103	22,927	64,030	47,951
(Increase) decrease in accounts receivable	(2,571)	(177)	(2,748)	2,091
Increase (decrease) in customer deposits	720		720	2,140
Increase (decrease) in accounts payable	7,343	118	7,461	(4,712)
Increase (decrease) in due to other funds	(2,067)		(2,067)	
Net Cash Provided by Operating Activities	<u>(\$5,546)</u>	<u>(\$3,144)</u>	<u>(\$8,690)</u>	<u>(\$7,459)</u>
Reconciliation of total cash and cash investments:				
Current assets - cash and cash investments	\$23,847	\$1,310	\$25,157	\$34,843
Restricted assets - cash and cash investments	15,350	0	15,350	17,133
Total cash and cash investments	<u>\$39,197</u>	<u>\$1,310</u>	<u>\$40,507</u>	<u>\$51,976</u>

The accompanying notes are an integral part of this statement.

Town of Tullos, Louisiana
Notes to the Financial Statements
As of and For the Two Years Ended June 30, 2004

INTRODUCTION

The Town of Tullos, Louisiana is located in the northwestern portion of LaSalle Parish in north-central Louisiana. The Town was incorporated in 1925 under the provisions of Louisiana Revised Statutes 33:52. The Town operates under a form of government consisting of an elected mayor and a Town council, which has five elected members. The Town, with 6 employees, provides public safety, fire protection, public works, recreation and parks, utility services, and administrative services to its residents. The Town consists of approximately 425 citizens.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Town is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended June 30, 2004, the Town has implemented GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 creates new basic financial statements for reporting on the Town's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than by fund type which has been the mode of presentation in previously issued financial statements.

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charge to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Town of Tullos, Louisiana
Notes to the Financial Statements
As of and For the Two Years Ended June 30, 2004

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital projects fund is used to account for all resources and expenditures in connection with the acquisition of capital facilities and major capital improvements.

The Debt service fund is used to account for transactions relating to resources retained and used for the payment of principal and interest on long-term obligations for governmental type funds.

The Town reports the following major proprietary funds:

The Water fund is to account for the provision of water services to the residents of the town. All activities necessary to provide such services are accounted for in this fund, but not limited to, administration, operations, maintenance, financing, and related debt service and billing.

The Sewer fund is to account for the provision of sewer services to the residents of the town. All activities necessary to provide such services are accounted for in this fund, but not limited to, administration, operations, maintenance, financing, and related debt service and billing.

Town of Tullos, Louisiana
Notes to the Financial Statements
As of and For the Two Years Ended June 30, 2004

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governments enterprise operations. Elimination of those charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues of the proprietary funds include water and sewer services to the residents of the Town. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Town's investment policy allow the Town to invest in collateralized certificates of deposits, government back securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments for the town are reported at fair value.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Town of Tullos, Louisiana
Notes to the Financial Statements
As of and For the Two Years Ended June 30, 2004

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

<u>Taxes due for:</u>	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General operations and maintenance	9.49	9.49	6/30/04

The following are the principal taxpayers and related property tax revenue for the Town:

<u>Taxpayer</u>	<u>Type of business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Ad valorem Tax Revenue for Municipality</u>
Southern Heritage Bank	financial-institution	\$150,280	12.85%	\$1,426
Chadco	oil field drilling	96,300	8.23%	914
CenturyTel of Central LA	telephone	76,400	6.53%	725
Atmos Energy	utilities	58,950	5.04%	559
Total		<u>\$381,930</u>	<u>32.65%</u>	<u>\$3,624</u>

E. Restricted Assets

Restricted assets include cash and cash investments in the Proprietary funds which are restricted to their use. These restrictions are related to utility meter deposits. It is the Town's policy to use restricted assets before unrestricted assets for their intended purposes.

F. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land	N/A
Buildings and improvements	40 years
Furniture and fixtures	5 years
Vehicles	5-7 years
Equipment	3-5 years

Town of Tullos, Louisiana
Notes to the Financial Statements
As of and For the Two Years Ended June 30, 2004

G. Compensated Absences

The Town has no policy relating to vacation and sick leave.

H. Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

J. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from the estimates.

L. Reconciliations of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets The following reconciles the fund balances of governmental funds to the government-wide statement of net assets.

Governmental capital asset net of accumulated depreciation	\$171,566
Loan payable	<u>(29,000)</u>
Net adjustment	<u>\$142,566</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities The following reconciles the net changes in fund balance-total governmental funds to the changes in net assets of governmental activities.

Town of Tullos, Louisiana
Notes to the Financial Statements
As of and For the Two Years Ended June 30, 2004

Expenditures for capital assets	\$12,205
Net adjustment	<u>\$12,205</u>

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGET INFORMATION The Town uses the following budget practices:

The Town adopted a budget for the two years ended June 30, 2004 and June 30, 2003 for the General fund and for the Debt Service fund. The Town follows the following procedures in establishing the budgetary data reflected in the financial statements. During the June meeting, the mayor submitted to the board of aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and expenses and the means of financing them. During the June meeting, the budget was legally enacted through passage of an ordinance. The public is invited to attend all meetings. The mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures or expenses of any fund must be approved by the board of aldermen. Appropriations lapse at the end of the year. There were no amendments to the original budgets.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS The following individual funds had actual expenditures over budgeted appropriations for the two years ended June 30, 2004.

<u>2004</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General fund	<u>\$81,586</u>	<u>\$98,969</u>	<u>\$17,383</u>
<u>2003</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General fund	<u>\$81,586</u>	<u>\$122,193</u>	<u>\$40,607</u>

The Town will monitor budget to actual variances and amend the budget as needed.

DEFICITS The following individual funds have deficits in unreserved fund balance (net assets) at June 30, 2004:

<u>2004</u>	
Sewer fund	\$12,968

The Sewer fund deficit is comprised of depreciation and engineering fees due to the sewer line improvements constructed during the two years ended June 30, 2004. According to the CDBG grant, the Town was responsible for a certain share of administration fees - engineering fees.

3. CASH AND CASH EQUIVALENTS

At June 30, 2004, the Town has cash and cash equivalents (book balances) totaling \$59,688 as follows:

Demand deposits	\$18,808
Interest-bearing demand deposits	34,880
Time deposits	<u>6,000</u>
Total	<u>\$59,688</u>

Town of Tullos, Louisiana
Notes to the Financial Statements
As of and For the Two Years Ended June 30, 2004

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2004, the Town has \$60,770 in deposits (collected bank balances). These deposits are secured from risk by \$60,770 of federal deposit insurance and \$0 of pledged securities held by the custodial bank in the name of the fiscal agent bank. (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

4. INVESTMENTS

Investments include a certificate of deposit with a maturity of 12 months that has been included in cash and equivalents in the basic financial statements. Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Town or its agent in the Town's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Town's name

At fiscal year-end, the Town's investments balances were as follows:

Type of investment	Category			Carrying amount			Total Carrying Amount
	1	2	3	Fair Value	Amortized Cost	Cost	
Certificate of deposit	\$6,000	\$0	\$0	\$6,000	\$0	\$0	\$6,000
Total investments	\$6,000	\$0	\$0	\$6,000	\$0	\$0	\$6,000

Town of Tullos, Louisiana
Notes to the Financial Statements
As of and For the Two Years Ended June 30, 2004

5. RECEIVABLES

The receivables of \$33,959 at June 30, 2004, are as follows:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Beer taxes	\$558			\$558
Fire fees	4,946			4,946
Franchise fees	1,599			1,599
Fines and forfeitures	4,684			4,684
Accounts		\$11,417	\$3,165	14,582
Other	2,987	4,603		7,590
Total	<u>\$14,774</u>	<u>\$16,020</u>	<u>\$3,165</u>	<u>\$33,959</u>

The Town's policy for bad debt accounting and write-offs is to send a letter to the occupant and owner after the due date. After 60 days, the utility line is sealed close. Reconnection fees must be paid to have service resumed. For deceased accounts, the clerk requests permission from the board to adjust the accounts to close.

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2004 is as follows:

Due To/From Other Funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General		\$18,240
	Water	(18,118)
	Sewer	(122)
Total		<u>\$0</u>

The balances consist of assisting the Water and Sewer funds with the operating expenses. The Village's management plan is to raise water rates.

Advances From/To Other Funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Sewer		\$2,904
	General	(2,370)
	Water	(534)
Total		<u>\$0</u>

The transfers consist of miscellaneous expenses paid General and Water funds for the Sewer fund.

Town of Tullos, Louisiana
Notes to the Financial Statements
As of and For the Two Years Ended June 30, 2004

7. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2004, for the primary government is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	<u>0</u>			<u>0</u>
Total capital assets not being depreciated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Capital assets being depreciated				
Buildings	<u>\$45,287</u>			<u>\$45,287</u>
Machinery and equipment	<u>330,924</u>	<u>\$12,205</u>		<u>343,129</u>
Total capital assets being depreciated	<u>376,211</u>	<u>12,205</u>	<u>0</u>	<u>388,416</u>
Less accumulated depreciation for:				
Buildings	<u>16,147</u>	<u>1,132</u>		<u>17,279</u>
Machinery and equipment	<u>172,527</u>	<u>27,044</u>		<u>199,571</u>
Total accumulated depreciation	<u>188,674</u>	<u>28,176</u>	<u>0</u>	<u>216,850</u>
Total capital assets being depreciated, net	<u>\$187,537</u>	<u>(\$15,971)</u>	<u>\$0</u>	<u>\$171,566</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	<u>\$8,649</u>			<u>\$8,649</u>
Total capital assets not being depreciated	<u>8,649</u>	<u>0</u>	<u>0</u>	<u>8,649</u>
Capital assets being depreciated				
Buildings	<u>16,658</u>			<u>16,658</u>
Machinery and equipment	<u>2,603,323</u>			<u>2,603,323</u>
Total capital assets being depreciated	<u>2,619,981</u>	<u>0</u>	<u>0</u>	<u>2,619,981</u>
Less accumulated depreciation for:				
Buildings	<u>6,664</u>	<u>\$833</u>		<u>7,497</u>
Machinery and equipment	<u>753,744</u>	<u>66,535</u>		<u>820,279</u>
Total accumulated depreciation	<u>760,408</u>	<u>67,368</u>	<u>0</u>	<u>827,776</u>
Total capital assets being depreciated, net	<u>\$1,868,222</u>	<u>(\$67,368)</u>	<u>\$0</u>	<u>\$1,800,854</u>

Depreciation expense of \$12,205 for the year ended June 30, 2004, was charged to the following governmental functions:

Public safety	\$12,205
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Town of Tullos, Louisiana
Notes to the Financial Statements
As of and For the Two Years Ended June 30, 2004

8. ACCOUNTS, SALARIES, AND OTHER PAYABLES

The payables of \$33,982 at June 30, 2004, are as follows:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Withholdings	\$1,809			\$1,809
Accounts	<u>9,159</u>	<u>7,062</u>	<u>15,952</u>	<u>32,173</u>
Total	<u>\$10,968</u>	<u>\$7,062</u>	<u>\$15,952</u>	<u>\$33,982</u>

9. LEASES

The Town records items under capital leases as an asset and an obligation in the accompanying financial statements. The following is an analysis of capital leases:

<u>Type</u>	<u>Recorded Amount</u>
Equipment - tractor	<u>\$120,000</u>
Total	<u>\$120,000</u>

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of June 30, 2004:

	Equipment
Fiscal year:	
2005	\$4,650
2006	<u>365</u>
Total minimum lease payments	5,015
Less - amounts representing executory costs	<u>0</u>
Net minimum lease payments	5,015
Less - amounts representing interest	<u>(187)</u>
Present value of net minimum lease payments	<u>\$4,828</u>

10. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2004:

	<u>Loan</u>
Long-term obligations at beginning of year	\$43,000
Additions	0
Deductions	<u>(14,000)</u>
Long-term obligations at end of year	<u>\$29,000</u>

Town of Tullos, Louisiana
Notes to the Financial Statements
As of and For the Two Years Ended June 30, 2004

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of June 30, 2004:

	Loan
Current portion	\$14,000
Long-term portion	15,000
Total	\$29,000

The loan is due as follows:

<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2005	\$14,000	\$1,494	\$15,494
2006	15,000	773	15,773
Total	\$29,000	\$2,267	\$31,267

11. RESERVED AND DESIGNATED RETAINED EARNINGS/FUND BALANCES

For the year ended June 30, 2004, the Town has restricted \$8,255 for debt service.

12. RELATED PARTY TRANSACTIONS

The Town was involved in two separate related party transactions as discussed below.

The Town clerk and Water department employee were married in July, 2003. The Town clerk has been employed since September, 2000. The Water department employee has been employed since August, 2002.

The Chief of Police did not pay his utility bills timely, which is considered a loan to an employee.

REQUIRED SUPPLEMENTAL INFORMATION

Town of Tullos, Louisiana
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Favorable (Unfavorable) Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Ad valorem	\$13,107	\$13,107	\$10,882	(\$2,225)
Beer	3,168	3,168	1,651	(1,517)
Licenses and permits	11,150	11,150	16,249	5,099
Franchise fees	11,415	11,415	9,244	(2,171)
Intergovernmental revenues:				
State funds:				
Grant			2,082	2,082
Fire assessment	22,502	22,502	23,114	612
Fines and forfeitures	17,162	17,162	40,043	22,881
Other revenues	5,814	5,814	12,580	6,766
Total Revenues	<u>84,318</u>	<u>84,318</u>	<u>115,845</u>	<u>31,527</u>
EXPENDITURES				
General government	46,268	46,268	47,952	(1,684)
Public safety	34,730	34,730	38,812	(4,082)
Capital outlay	588	588	12,205	(11,617)
Total Expenditures	<u>81,586</u>	<u>81,586</u>	<u>98,969</u>	<u>(17,383)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	2,732	2,732	16,876	14,144
OTHER FINANCING SOURCES (USES)				
Transfers in	1,544	1,544		(1,544)
Transfers out	(20,392)	(20,392)	(19,170)	1,222
Total Other Financing Sources (Uses)	<u>(18,848)</u>	<u>(18,848)</u>	<u>(19,170)</u>	<u>(322)</u>
Net Change in Fund Balance	(16,116)	(16,116)	(2,294)	13,822
Fund Balance (Deficit) at Beginning of Year	25,515	25,515	37,032	11,517
Fund Balance (Deficit) at End of Year	<u>\$9,399</u>	<u>\$9,399</u>	<u>\$34,738</u>	<u>\$25,339</u>

Notes to the Schedule

(1) method of budgetary accounting - GAAP

(2) explanation of major variances

capital outlay for cameras and radios for public safety function of expenditures

The accompanying notes are an integral part of this statement.

Town of Tullos, Louisiana
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Debt Service Fund
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Favorable (Unfavorable) Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other revenues			\$45	\$45
Total Revenues	0	0	45	45
EXPENDITURES				
Debt service:				
Principal	\$12,288	\$12,288	14,000	(1,712)
Interest	4,021	4,021	2,214	1,807
Total Expenditures	16,309	16,309	16,214	95
Excess (Deficiency) of Revenues over (under) Expenditures	(16,309)	(16,309)	(16,169)	140
OTHER FINANCING SOURCES (USES)				
Transfers in	18,848	18,848	16,800	(2,048)
Transfers out				0
Total Other Financing Sources (Uses)	18,848	18,848	16,800	(2,048)
Net Change in Fund Balance	2,539	2,539	631	(1,908)
Fund Balance (Deficit) at Beginning of Year	5,202	5,202	7,624	2,422
Fund Balance (Deficit) at End of Year	\$7,741	\$7,741	\$8,255	\$514

Notes to the Schedule

(1) method of budgetary accounting - GAAP

The accompanying notes are an integral part of this statement.

Town of Tullos, Louisiana
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts GAAP Basis	Favorable (Unfavorable) Variance
	Original	Final		
REVENUES				
Taxes:				
Ad valorem	\$13,107	\$13,107	\$10,472	(\$2,635)
Beer	3,168	3,168	2,831	(337)
Licenses and permits	11,150	11,150	17,614	6,464
Franchise fees	11,415	11,415	9,056	(2,359)
Intergovernmental revenues:				
Federal grants			41,310	41,310
State funds:				
Grant			4,652	4,652
Fire assessment	22,502	22,502	20,209	(2,293)
Fines and forfeitures	17,162	17,162	29,524	12,362
Other revenues	5,814	5,814	4,522	(1,292)
Total Revenues	84,318	84,318	140,190	55,872
EXPENDITURES				
General government	46,268	46,268	55,186	(8,918)
Public safety	34,730	34,730	31,084	3,646
Capital outlay	588	588	35,923	(35,335)
Total Expenditures	81,586	81,586	122,193	(40,607)
Excess (Deficiency) of Revenues over (under) Expenditures	2,732	2,732	17,997	15,265
OTHER FINANCING SOURCES (USES)				
Transfers in	1,544	1,544		(1,544)
Transfers out	(20,392)	(20,392)	(18,080)	2,312
Total Other Financing Sources (Uses)	(18,848)	(18,848)	(18,080)	768
Net Change in Fund Balance	(16,116)	(16,116)	(83)	16,033
Fund Balance (Deficit) at Beginning of Year	25,515	25,515	37,115	11,600
Fund Balance (Deficit) at End of Year	\$9,399	\$9,399	\$37,032	\$27,633

Notes to the Schedule

(1) method of budgetary accounting - GAAP

(2) explanation of major variances

capital outlay for breathing apparatus and other public safety function of expenditures

The accompanying notes are an integral part of this statement.

Town of Tullos, Louisiana
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Debt Service Fund
For the Year Ended June 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	Favorable (Unfavorable) Variance
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other revenues			\$86	\$86
Total Revenues	0	0	86	86
EXPENDITURES				
Debt service:				
Principal	\$12,288	\$12,288	13,000	(712)
Interest	4,021	4,021	2,884	1,137
Total Expenditures	16,309	16,309	15,884	425
Excess (Deficiency) of Revenues over (under) Expenditures	(16,309)	(16,309)	(15,798)	511
OTHER FINANCING SOURCES (USES)				
Transfers in	18,848	18,848	16,800	(2,048)
Transfers out				0
Total Other Financing Sources (Uses)	18,848	18,848	16,800	(2,048)
Net Change in Fund Balance	2,539	2,539	1,002	(1,537)
Fund Balance (Deficit) at Beginning of Year	5,202	5,202	6,622	1,420
Fund Balance (Deficit) at End of Year	\$7,741	\$7,741	\$7,624	(\$117)

Notes to the Schedule

(1) method of budgetary accounting - GAAP

The accompanying notes are an integral part of this statement.

OTHER SUPPLEMENTAL SCHEDULES

Town of Tullos
Schedule of Compensation Paid Board Members
For the Two Years Ended June 30, 2004 and 2003

<u>Board Member</u>	<u>2004</u>	<u>2003</u>
Fred Book, Mayor	\$2,400	\$2,400
Darwin Fife		25
Jim Arbogast	300	300
Buck Borland	300	300
Heath Sellers	275	150
Leroy Holliday	300	150
Jimmy Arbogast	300	150
Mike Nowlin		150
John Rankin		150
Total	<u>\$3,875</u>	<u>\$3,775</u>

The accompanying notes are an integral part of this statement.

Town of Tullos
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2003

Federal Grantor/ Pass-through grantor/ Program Title	Federal CFDA Number	Agreement number	Federal Expenditures
Federal Emergency Management Agency Fire Operations and Firefighter Safety	84.554	EMW-2002-FG-05490	<u>\$41,310</u>
Total Expenditures of Federal Awards			<u><u>\$41,310</u></u>

The accompanying notes are an integral part of this schedule.

OTHER REPORTS

EDWARDS & WADE

Certified Public Accountants
A Professional Accounting Corporation
Members: AICPA / Society of LCPA's

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mayor and Town Council
Town of Tullos
Tullos, Louisiana

We have audited the financial statements of the Town of Tullos as of and for the two years ended June 30, 2004 and have issued our report thereon dated December 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Town of Tullos's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as item 04-1, 04-2 and 04-4.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Tullos's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Town of Tullos's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 04-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Because of a limited number of available personnel, it is not possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

Our audit did not reveal any significant errors or irregularities resulting from this lack of segregation of employee duties and responsibilities.

This report is intended for the information and use of management, the Legislative Auditor, and any interested federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Edwards & Wells
Ruston, Louisiana
December 9, 2004

Town of Tullos
 Schedule of Findings and Questioned Costs
 For the Two Years Ended December 31, 2004

We have audited the financial statements of Town of Tullos as of and for the two years ended June 30, 2004, and have issued our report thereon dated December 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 9, 2004 resulted in an unqualified opinion.

A. Summary of Audit Results

1. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Reportable Yes No

Compliance

Compliance Material to Financial Statements Yes No

2. Federal Awards

Internal Control

Material Weaknesses Yes No Reportable Yes No

Type of Opinion On Compliance Unqualified Qualified
 For Major Programs Disclaimer Adverse

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?
 Yes No

3. Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program (or Cluster)</u>
N/A	

N/A

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 300,000

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133? Yes No

B. Financial Statements Findings

04-1. For the year ended June 30, 2004 and 2003, actual expenditures exceeded budgeted expenditures by \$17,383 or 22% and \$40,607 or 50% (more than 5%), respectively, for the general fund. According to LRS 39:1310, failing to amend the budget when necessary is a violation of the local government budget act.

Recommendation: Town monitor budget and actual figures and amend as necessary.

Response: Water rates will be raised as of January 18, 2005 and the Town will amend budget as needed.

04-2. The Town was involved in the following two related party transactions: 1) The Town clerk and a Water department employee were married in July, 2003. 2) The Chief of Police did not timely remit payment for his utility bill. This is in violation of Article VII, Section 14 of the LA Constitution of 1974, since the nonpayment of the water bill constitutes a loan. The effect of this loan is the loss of operating revenue.

Recommendation: 1) Town get an Ethics board decision immediately. 2) Town not have any activities that may constitute a loan.

Response: 1) Town is waiting for a response from Board of Ethics. 2) Users have 60 days to pay bill or they are disconnected.

04-3. While testing disbursements to original documents for support, we determined the overall internal control for the Town is inadequate. Ten of 60 selected disbursements did not have original supporting documentation or invoices. Five of 60 selected disbursements were not posted to the appropriate account. This error is posting does not help the council in making accurate decisions regarding the financial situation of the Town.

Recommendation: Town establish internal controls to monitor all disbursements.

Response: As of 2005 the Town will not have a separate payroll account. All employees will be paid out of the appropriate account.

04-4. The Town did not arrange a sheriff sale for unpaid property taxes.

Recommendation: Town schedule a sheriff sale for all unpaid property taxes.

Response: The Town is getting in contact with the Sheriff for proper procedures.

C. Federal Award Findings and Questioned Costs

None

Town of Tullos
Summary of Prior Year Findings
For the Two Years Ended June 30, 2004

A. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

- 02-1. Finding: For the year ended June 30, 2002 actual expenditures exceeded budgeted expenditures by more than 5% for the General fund. According to LRS 39:1310, failing to amend the budget when necessary is a violation of the local government budget act.

Recommendation: Town analyze interim budget and actual comparisons and amend the budget as needed.

Conclusion: Unresolved - see 04-1

- 02-2. Finding: The Town did not provide a listing of assets. According to LRS 24:513(A), the Town should maintain records of all assets which were purchased or otherwise acquired, and for which the Town is accountable. The records shall include information as to the date of purchase, initial cost, the disposition, if any, the purpose of such disposition, and the recipient of the assets disposed of.

Recommendation: Town conduct a physical inventory and set up subsidiary records to comply with generally accepted accounting principles.

Conclusion: Resolved

- 02-3. Finding: For the year ended June 30, 2002 the Town did not adopt a budget for the Debt Service fund according to LRS 39:1308.

Recommendation: Town adopt a budget for each governmental fund type and monitor budget to actual amounts for possible amendments.

Conclusion: Resolved

B. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

- 02-4. Finding: During the testing for cash management, it was determined that the Town held a draw down in excess of the three day limit. According to OMB Circular A-133, draw downs of federal cash is only for immediate needs.

Recommendation: Town closely monitor the receipt and disbursement dates for the remaining grant period.

Conclusion: Resolved

C. MANAGEMENT LETTER

None

TOWN OF TULLOS
P.O. Box 749
Tullos, Louisiana 71479

CORRECTIVE ACTION PLAN
For the Two Years Ended June 30, 2004

Town of Tullos hereby submits the following corrective action plan as referenced in the Findings and Questioned Costs:

04-1. See Schedule of Findings and Questioned Costs - Section B.

04-2. See Schedule of Findings and Questioned Costs - Section B.

04-3. See Schedule of Findings and Questioned Costs - Section B.

04-4. See Schedule of Findings and Questioned Costs - Section B.